

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

AGRE-00 SAJ-01 BIB-01 /115 W
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P R 011901Z OCT 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 6170

INFO AMEMBASSY HELSINKI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSELS

AMEMBASSY BONN

USDEL MTN GENEVA

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY BERLIN

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USLO PEKING

USMISSION GENEVA

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C O R R E C T E D C O P Y (E.O. TAGS, SUBJ & REF LINES)

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E.O. 11652: N/A

SU TAGS: ETRD, EEWT, UK, EEC

SUBJECT: INDUSTRIALIZED COUNTRY PRACTICES RE IMPORTS
FROM COMMUNIST COUNTRIES

REF : (-A-) STATE 223894; (B) LONDON 19410; (:C:) LONDON 3860

SUMMARY. THE UK HAS BEEN SUBJECT TO SUBSTANTIAL MARKET DISRUPTIONS CAUSED BY LOW-COST IMPORTS OF TEXTILES, FOOTWEAR, AND A RANGE OF OTHER PRODUCTS FROM COMMUNIST COUNTRIES. THE UK GOVERNMENT IS USING A COMBINATION OF QRS (THROUGH THE EC), "VOLUNTARY" BILATERAL UNDERSTANDINGS, AND ANTIDUMPING ACTIONS TO COMBAT THIS PROBLEM. TO EMBASSY'S KNOWLEDGE, VOLUNTARY "UNDERSTANDINGS" NOW APPLY TO PRODUCTS FROM POLAND, CZECHOSLOVAKIA, ROMANIA, AND HUNGARY. QRS ARE APPLIED TO A SMALL RANGE OF PRODUCTS FROM ALL E COUNTRIES AND THE USSR. WITH THE UK'S CONTINUING ECONOMIC PROBLEMS, THERE HAS BEEN GROWING PRESSURE FOR ACTION AGAINST LOW-COST E IMPORTS AND A MARKED INCREASE IN GOVERNMENT ACTIONS TO CONTROL THESE IMPORTS. END SUMMARY.

1. BACKGROUND. DURING THE COLD WAR PERIOD OF THE 1950'S THE UK FOUND IT VERY DIFFICULT TO SELL GOODS TO EASTERN EUROPE, AND IN RESPONSE PUT UP AN EXTENSIVE SERIES OF QUANTITATIVE RESTRICTIONS WHICH WERE INTENDED MAINLY TO OPEN UP EE MARKETS RATHER THAN AS RETALIATION FOR ANY UNFAIR PRACTICES ON THEIR PART. AS THE POLITICAL CLIMATE BEGAN TO WARM UP IN THE 1960'S AND THE POTENTIAL FOR BRITISH SALES INCREASED, THE UK REMOVED MANY OF THE QRS. THE REDUCTIONS CONTINUED OVER A PERIOD OF TIME AND QRS WERE EVENTUALLY REFINED DOWN TO A SMALL NUMBER. THIS SITUATION APPARENTLY WORKED WELL UNTIL RECENT YEARS WHEN EE COUNTRIES BECAME MORE AGGRESSIVE IN SELLING TO THE WEST AND THE UK'S ECONOMIC DECLINE MADE IT LESS ABLE TO MEET COMPETITION.

2. ON THE FIRST OF JANUARY, 1975, WHEN THE EC'S COMMON COMMERCIAL POLICY CAME INTO EFFECT, THE EXISTING UK LIMITED OFFICIAL USE

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BILATERAL TRADE AGREEMENTS WITH EASTERN EUROPE WERE TERMINATED ALONG WITH THOSE OF OTHER MEMBER STATES. SINCE THAT TIME THE UK HAS, THROUGH THE EC COMMISSION, SECURED NEW QRS ON A NUMBER OF TEXTILE AND SHOE PRODUCTS AND A RANGE OF OTHER PRODUCTS FROM EASTERN EUROPE. UK HAS ALSO REACHED A NUMBER OF AD HOC "UNDERSTANDINGS" WITH EE COUNTRIES TO "VOLUNTARILY" RESTRAIN THE LEVEL OF SOME IMPORTS INTO THE UK. THESE INFORMAL ARRANGE-

MENTS HAVE TAKEN PLACE OUTSIDE OF THE EC'S COMMON
COMMERCIAL POLICY.

3. IN ADDITION, THE UK HAS USED THE DEVICE OF "COOPERA-
TION ATHEEMENTS" TO DEVELOP GOVERNMENT-TO-GOVERNMENT
FRAMEWORKS WITHIN WHICH UK COMPANIES CAN FACILITATE
THEIR BUSINESS ARRANGEMENTS WITH EE PRODUCERS -- BUT
THESE ARE NOT BILATERAL TRADE/COMMERCIAL AGREEMENTS
WHICH WOULD VIOLATE THE EC'S COMPETENCE IN THIS AREA.

4. QUANTITATIVE RESTRICTIONS AND INFORMAL VRAS. TO THE
EMBASSY'S KNOWLEDGE THE FOLLOWING SPECIFIC CASES CON-
STITUTE THE MAJOR QR ACTIONS INVOLVING THE UK DURINQ
1975 AND 1976 TO CONTROL IMPORTS FROM COMMUNIST COUN-
TRIES.

(A) IN EARLY 1975 THERE WAS A LARGE INCREASE IN THE
NUMBER OF LOW-COST MEN'S LEATHER SHOES IMPORTED INTO THE
UK FROM POLAND, CZECHOSLOVAKIA AND ROMANIA. RATHER
THAN PROCEEDING FORMALLY THROUGH THE EC COMMISSION, WE
UNDERSTAND THE UK HELD VERY INFORMAL BILATERAL TALKS
WITH THESE THREE COUNTRIES. THE NET RESULT WAS AN "UN-
DERSTANDING" WITH THE THREE COUNTRIES ON AGREED LEVELS

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 6171

INFO AMEMBASSY HELSINKI

AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA
USMISSION EC BRUSSELS
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OF EXPORTS TO THE UNITED KINGDOM -- PROBABLY AGREED TO
UNDER UK THREAT TO GO TO THE COMMISSION FOR FORMAL QR
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AUTHORITY. WE HAVE HEARD TALK HERE FROM TIME TO TIME
THAT THE COMMISSION WAS NOT OVERLY HAPPY ABOUT THIS PRO-
CEDURE.

(B) IN DECEMBER, 1975, AS PART OF ITS MODEST PACKAGE OF
IMPORT CONTROLS (REF B), THE UKG STATED IT WOULD "INVITE"
POLAND, CZECHOSLOVAKIA AND ROMANIA TO CONTINUE THEIR
EXISTING RESTRAINTS ON MEN'S LEATHER FOOTWEAR THROUGH

WERE FINALIZED IN MARCH, 1976, APPARENTLY USING THE SAME
MECHANISM OF INFORMAL BILATERAL TALKS.

(C) DURING LATE 1975 A LARGE NUMBER OF COMPLAINTS WERE
RECEIVED BY THE UKG FROM BRITISH INDUSTRY ABOUT SHARPLY
INCREASING IMPORTS OF LOW-COST MEN'S WOOLEN SUITS FROM
EASTERN EUROPE. COMPLAINTS WERE DIRECTED TOWARDS THE
ORIGINAL THREE OFFENDERS (POLAND, CZECHOSLOVAKIA AND
ROMANIA), PLUS THE GDR AND HUNGARY. POLAND AND HUNGARY
AGREED TO VOLUNTARILY RESTRAIN THEIR EXPORTS. THE GDR,
ROMANIA AND CZECHOSLOVAKIA DID NOT AND THE UK APPLIED TO
THE COMMISSION FOR MANDATORY QRS UNDER PROVISIONS OF THE
27 MARCH 1975 COUNCIL DECISION (75/210) WHICH PROVIDES
FOR QUICK ACTION IN URGENT CASES. WITHIN A MATTER OF
DAYS THE EC PROCEDURE WAS COMPLETED AND MANDATORY QRS
WERE PUT INTO EFFECT.

(D) IN EARLY 1976 THERE WAS A RAPID INCREASE IN LOW-COST WOOLEN JACKETS FROM CZECHOSLOVAKIA (THE BRITISH HAVING BEEN GENTLEMANLY ENOUGH TO ASSUME THAT AS THE CZECHS HAD HAD A QR ON WOOLEN SUITS PLACED ON THEM, THEY WOULD RES-TRAIN THEMSELVES ON WOOLEN JACKETS). WE ARE NOT AWARE OF THE UKG HAVING TRIED THE INFORMAL PROCEDURE IN THIS CASE, BUT IN JULY THE UK DID GO TO THE COMMISSION AND SECURED MANDATORY QRS IN SHORT TIME.

5. ANTIDUMPING. THE UK DOES NOT HAVE ANY OBVIOUSLY UNIQUE ANTIDUMPING REGULATIONS OR PROCEDURES TO DEAL WITH EASTERN EUROPEAN DUMPING CASES. (THE UK IS STILL WITHIN THE TRANSITION PERIOD OF COMMUNITY MEMBERSHIP FOR ANTIDUMPING PURPOSES AND RETAINS INDEPENDENT AUTHORITY IN THIS AREA UNTIL JULY, 1977). THE UK DEPT. OF TRADE HANDLES DUMPING COMPLAINTS AGAINST EE COUNTRIES IN THE SAME WAY AS THEY WOULD AGAINST ANY OTHER COUNTRY. LIMITED OFFICIAL USE

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WE HAVE RECEIVED THE IMPRESSION IN THE PAST THAT THERE ARE RELATIVELY NO MORE EE-ORIENTED DUMPING COMPLAINTS THAN FOR ANY OTHER GROUP OF COUNTRIES. RECENT CASES HAVE INCLUDED LINENS FROM ROMANIA AND CLOCKS FROM SEVERAL EE COUNTRIES.

6. NEW DUMPING CASES. WITHIN THE LAST FOUR DAYS THE DEPT. OF TRADE HAS BEGUN INVESTIGATIONS INTO UK INDUSTRY ALLEGATIONS THAT (A) BULGARIA, CZECHOSLOVAKIA, GDR (AND EAST BERLIN), HUNGARY, POLAND AND ROMANIA ARE DUMPING MEN'S AND BOYS' SUITS; AND (B) CZECHOSLOVAKIA AND POLAND ARE DUMPING LEATHER SANDALS. AS NOTED IN PARA 4 ABOVE, QUOTA RESTRAINTS ON MEN'S WOOLEN SUITS, EITHER MANDATORY OR VOLUNTARY, ALREADY APPLY AGAINST THE COUNTRIES WHICH ARE NOW CHARGED WITH DUMPING (WITH POSSIBLE EXCEPTION OF BULGARIA). AS ONE INDICATION OF THE GROWING INTENSITY OF FEELING HERE, THE HARD-PRESSED TEXTILE INDUSTRY IS PUTTING CONSIDERABLE PRESSURE ON THE SECRETARY OF STATE FOR TRADE TO IMPOSE TEMPORARY DUTIES EVEN BEFORE THE INVESTIGATION IS COMPLETE.

7. COUNTERVAILING. WE ARE NOT AWARE OF ANY RECENT COUNTERVAILING DUTY CASES ON EE PRODUCTS.

8. IN SUM, THE UK FEELS THE MARKET DISRUPTIONS CAUSED BY CHEAP EASTERN EUROPEAN IMPORTS PERHAPS MORE THAN ANY OTHER COUNTRY, LARGELY BECAUSE OF ITS CONTINUING ECONOMIC DIFFICULTIES. THE GOVERNMENT IS USING A RANGE OF TECHNIQUES TO COPE WITH THE PROBLEM AND WE CAN PROBABLY EXPECT EVEN GREATER PROTECTIVE MEASURES IN THE FUTURE.

ARMSTRONG

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